

Budget Management Update

Cabinet

Date: 17th October 2018

Author: Cabinet Member for Finance
Director of Finance

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report updates the position in relation to the 2018/19 forecast outturn and sets out the approach for addressing the financial challenge in the period to March 2020.

2. Recommendations

Cabinet is recommended:

- 2.1 To note the in-year forecast outturn position for 2018/19 and the responding actions in place to manage the projected year-end overspend;
- 2.2 To note the development of the Council's capital strategy and the approach to delivering a balanced revenue budget for 2019/20;
- 2.3 To agree the virements set out in Appendix 2;

3. Detail

Projected Outturn 2018/19

- 3.1 The forecast as at 31st August 2018 is an overspend of £3m against the revenue budget for 2018/19.
- 3.2 The budget and projected outturn by Department is set out in Table 1 below and a more detailed analysis is set out in Appendix 1.
- 3.3 A number of budget changes have been identified since the last report and Cabinet is asked to approve the virements set out in Appendix 2.

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Table 1 – Projected Outturn 2017/18

Department	Budget 2017/18 £'000	Full-Year Projected Outturn £'000	Projected Variance £'000	Movement since last report £'000
Adult Services	84,340	83,639	(701)	(400)
Children Services	33,938	39,751	5,813	2,008
Communities and Housing	28,136	29,355	(529)	(270)
Economy	(2,439)	(2,514)	(75)	(75)
Resources	20,871	20,124	(747)	(737)
Corporate	(22,478)	(23,236)	(758)	(516)
Total Before Use of Cashflowing Reserve	143,048	146,051	3,003	10
Transfer to/(from) Cashflowing Reserve	(2,824)	(2,824)	0	0
Total General Fund	140,224	143,227	3,003	10

- 3.4 The projected outturn forecast is unchanged since the report to Cabinet in September. Within the headline figure there have been a number of changes, with the most significant being a further increase in demand for children's social care which has increased the forecast spend on external placements by £1.3m, unaccompanied asylum seekers by £354k and support for children in their home and unregulated placements by £244k.
- 3.5 The increased pressure on children's social care has been offset, largely as a result of the action across all departments to hold existing vacancies in non-essential posts and declare the financial savings from these and undertake a critical review of spend on agency staff and other procurement spend.
- 3.6 Other improvements in the forecast include:
- 3.6.1 A reflection of the early delivery of demand management savings in adult social care that were originally planned for 2019/20 (£340k)
- 3.6.2 A reduction in the use of private sector landlords for meeting housing demand (£200k)
- 3.6.3 Additional grant income across a number of funding streams

Financial Outlook to 2020

- 3.7 The budget report to Council in February 2018 set out a projected funding gap of £30m for the two year period to March 2020. Alongside the budget for 2018/19 it

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also set out an indicative budget for 2019/20, providing a detailed analysis of potential savings identified at that point in time.

- 3.8 As 2019/20 is the last year of the four-year settlement from central government it is anticipated that the funding projections for 2019/20 will be largely unchanged. There has been an announcement that the threshold for calculating New Homes Bonus may be increased (reducing payments to individual authorities) but details of this are not expected to be confirmed until the Provisional Local Government Finance Settlement.
- 3.9 In the period since February 2018 officers have continued to develop and refine the savings proposals using the principles of the Swindon Programme and seeking savings under the four workstreams:
- 3.9.1 Organisational Excellence
 - 3.9.2 Demand Management
 - 3.9.3 Commissioning and Procurement
 - 3.9.4 Commercialisation
- 3.10 The detailed draft budget proposals arising from this work will be considered by Cabinet at its December meeting.

Outlook for 2020/21 Onwards

- 3.11 Funding for local government from April 2020 onwards will be shaped by three main issues:
- 3.11.1 Spending Review 2019 – this is expected to establish the quantum of funding available nationally for 2020/21 and, possibly, future years
 - 3.11.2 Business Rates Retention – the government is working with local government, led by the Local Government Association, to develop the arrangements for councils to retain 75% of the growth in business rates (compared to 50% currently)
 - 3.11.3 Fair Funding Review – this will establish the assessment of relative needs between authorities and take into account the ability of councils to raise income and will therefore form the basis of the redistribution of resources between councils
- 3.12 Consultations on detailed aspects of business rates retention and fair funding review are anticipated by the end of 2018, but the impact at individual authority level is not expected to be known until Autumn 2019.

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3.13 As part of the Council's longer term financial planning a revised capital strategy will be produced. The purpose of this strategy will be to:

3.13.1 Set out how long-term investment decisions are made

3.13.2 Provide a framework for prioritising competing demands

3.13.3 Make efficient use of scarce resource towards delivery of council priorities

3.14 An initial draft of the strategy is set out in Appendix 3. This will be developed, incorporating input from the Resources and Corporate Overview and Scrutiny Committee, over the next few months and will form part of the overall capital programme decision by the Council in February.

4. Alternative Options

4.1 The report sets out the financial position for the council in the current year and the approach to addressing this and the financial challenges in the years ahead. The Council could continue to provide services in the current form but this is not recommended as the organisation would soon become financially unsustainable and important services would be unaffordable.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 The projected overspend in the current financial year is currently £3.0m. Further management action is aimed at managing the overall position and ensuring there is no further call on the Council's reserves.

5.2 Funding reductions and cost pressures require the Council to meet an anticipated funding gap of £30m over the two year period to March 2020.

Legal and Human Rights Implications

5.3 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

5.4 Over the years, there have been a number of challenges in the courts as to reductions in budgets. The courts have held that the decision to set a local authority budget for a service at a certain level and to make reductions in specific areas is a political decision which cannot be judicially challenged. How those reductions are implemented; however, is key and will be subject to appropriate consultation.

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All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.5 Where there are such implications these have been reflected in the body of the report.

Diversity Impact Assessment

- 5.6 Diversity Impact Assessments (DIA) will be produced for each of the future savings proposals that could affect protected groups. Where assessments undertaken identify adverse impacts then mitigations are being developed as part of the proposals.

Risk Management

- 5.7 Any risks arising from the proposals contained within this report will be managed through their implementation taking into consideration feedback from the consultation exercise.

6. Consultees

- 6.1 The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all Cabinet reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1: Forecast Outturn by Directorate 2017/18
8.2 Appendix 2: Virements 2017/18
8.3 Appendix 3: Initial Draft of Capital Strategy

9. Key Decision/Decision in Cabinet Work Programme

- 9.1 This is a Key Decision and is included in the Cabinet Work Programme for October 2018.